



UNIVERSITY OF CALIFORNIA STATEMENT

January 30, 2003

Today the Department of Energy Inspector General released its report on Los Alamos National Laboratory.

The general findings of the Inspector General are consistent with the conclusions reached by the University of California, beginning with the first on-site visit to Los Alamos on November 25, 2002, by the University's Special Review Team. As a result of subsequent and ongoing visits and reviews by University officials, including more than eight hours of meetings with the two investigators dismissed by the former Los Alamos management, the University of California has taken aggressive action to address the concerns highlighted in the Inspector General's report. These actions are detailed below.

The University intends to continue to work closely with the Department of Energy, Congress, and law enforcement and welcomes any credible information, including from former and current laboratory employees, about inappropriate practices at any of the laboratories. UC will partner fully with the appropriate agencies to identify potential problems, make necessary reforms, and punish those responsible for any wrongdoing.

SUMMARY OF RECENT ACTIONS TAKEN BY UC AT LANL

- **New Interim Laboratory Director Appointed at LANL**

On January 2, 2003, University of California President Richard C. Atkinson announced sweeping management changes at Los Alamos, including the appointment of an Interim Director, retired Vice Admiral George P. "Pete" Nanos, following the resignations of Director John Browne and Deputy Director Joseph Salgado.

- **UC Addresses Allegations by and the Dismissal of Two Laboratory Employees (Walp and Doran)**

Soon after learning about the dismissals of laboratory investigators Glenn Walp and Steven Doran, University officials sought a direct meeting to learn first-hand about their allegations and the circumstances surrounding their dismissals. Also as part of its effort, the University's special review team interviewed 14 laboratory employees as well as other University officials. As a result of concerns raised during these interviews, President Atkinson ordered a series of sweeping management changes, including the leadership changes described above and others detailed below.

On January 17, University officials met for the first of two face-to-face meetings with Messrs. Walp and Doran. The second meeting was held in Washington, D.C., on January 28. The meetings covered a range of issues, including details about the investigations conducted by Messrs. Walp and Doran while employed at the laboratory, the nature of their findings and how those findings were received by then-laboratory management, as well as the circumstances surrounding their dismissals as employees at the lab. University officials found the former investigators to be credible, forthcoming and dedicated to working with UC to further investigate all allegations of fraud and abuse. They have been rehired by the University of California Office of the President, retroactive to the date of their dismissal, and will continue to help the University identify shortcomings in business and security practices at the laboratory.

- **Senior Management Change in LANL's Office Of Audits And Assessments Implemented**

On January 10, 2003, Los Alamos Audits and Assessments Office Director Katherine Brittin was removed from her management position. UC Auditor Patrick Reed is now overseeing the audit program, with support from his Oakland-based management team, while the review is underway and a search for a new audit director is conducted.

- **Senior Management Change in the Security Division Implemented**

On January 7, 2003, Stan Busboom, Security Division Leader, and Gene Tucker, Security Division Deputy Leader, were replaced in their management positions by new interim leader Scott Gibbs and acting deputy division leader Kevin Leifheit. The laboratory has begun a search to fill both positions on a permanent basis. In addition, on January 23, 2003, LANL announced that the waste, fraud and abuse inquiry function of the laboratory's Office of Security Inquiries (OSI) has been transferred to the Audits and Assessments Office, reporting directly to UC Auditor Patrick Reed.

- **Senior Management Changes Implemented in the Laboratory Business Organization**

As part of President Atkinson's management changes, all laboratory administrative and business operations were put under the direction of Anne Broome, Vice President for Financial Management at the University of California Office of the President. After a review by a Red Team headed by Steve Hunt, Associate Director for Laboratory Services at Lawrence Livermore National Laboratory, Broome and laboratory officials announced on January 24 new organizational and functional assignments covering all aspects of business management, including budgeting, accounting and systems, property management, procurement, and shipping and receiving.

In addition, the University is in the process of commissioning an independent evaluation of the laboratory's key financial processes as well as the appropriate organizational structure for performing these financial processes.

- **UC Continues to Make Progress in Identifying Scope of Problem**

The University continues to work to identify problems in the business and security practices of the laboratory. The key areas subject to review include, but are not limited to, allegations about the inappropriate use of purchase cards, criminal activities involving the laboratory purchasing system, and improper property management.

- **UC Takes Steps to Create Atmosphere to Encourage Los Alamos Employees to Raise Concerns to Appropriate Authorities**

In addition to reaffirming to laboratory employees the University's interest in receiving information about any suspected improprieties and to inform them of avenues available to make a report, the University has added Los Alamos to its University of California AlertLine Ethics and Compliance Hotline. This service, operated independently by Pinkerton, assures confidentiality by assigning a case number to each caller and acting as an intermediary for the institution. Callers need not identify themselves, but can still receive information about the disposition of their reported matters by making subsequent inquiries using the case number.

- **UC Internal Governance Changes**

The University has taken a number of steps to improve its oversight role as laboratory contractor. This includes the appointment of Bruce B. Darling, Senior Vice President for University Affairs, as Interim Vice President for Laboratory Management, and Robert Kuckuck, a former Acting Principal Deputy Administrator at the Department of Energy's National Nuclear Security Administration, as Senior Advisor.

In addition, President Atkinson has appointed an Oversight Board to help guide Interim Director Nanos on general laboratory management issues. Members are: UC Regent Richard C. Blum of Blum Capital Partners in San Francisco, an investment firm; Sidney D. Drell, Stanford University Professor Emeritus, Stanford Linear Accelerator Center; Chancellor Robert C. Dynes of UC San Diego, a physicist; Regent Gerald L. Parsky of the Aurora Capital Partners in Los Angeles, an investment firm; and Regent Peter Preuss, President of the Preuss Foundation and chairman of the Board of Regents' Committee on Oversight of the National Laboratories.

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